

Message Text

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ACTION AF-08

INFO OCT-01 SP-02 USIA-06 AID-05 EB-08 NSC-05 CIEP-01
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 FEAE-00 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 OES-06 PA-01 PRS-01 IGA-02 ISO-00
/091 W

-----261741Z 054352 /41

P 261640Z JAN 77

FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC PRIORITY 3425

C O N F I D E N T I A L MONROVIA 0653

E.O. 11652: GDS

TAGS: EGEN, ENRG, LI

SUBJECT: LIBERIA REFINING COMPANY (LRC)

REF: (A) MONROVIA 525, (B) STATE 8458

1. SUMMARY. IN CALL ON AMBASSADOR SUN OIL OFFICIALS SAID LRC SITUATION IS EXTREMELY SERIOUS -- LRC IS BROKE. THEY SAID LRC COULD NOT CONTINUE TO IMPORT REFINED PRODUCTS AND SELL THEM AT BELOW COST. THEY ESTIMATED POTENTIAL LOSS OF \$750,000 BY LRC SINCE FIRE CLOSED REFINERY. THEY ANNOUNCED SUN HAD WITHDRAWN COMFORT LETTER FROM CHEMICAL BANK SO GOL IS FACED WITH CRISIS OF FINANCING PETROLEUM IMPORTS. AMBASSADOR REMARKED THAT CLIMATE FOR THEIR DISCUSSION WITH GOL OFFICIALS SHOULD BE IMPROVED NOW THAT PRESIDENT TOLBERT HAS BEEN APPRISED. AMBASSADOR EMPHASIZED EMBASSY WOULD MAINTAIN ATTITUDE OF INTERESTED NEUTRALITY. SUN OFFICIALS SAID THEY WOULD GIVE LETTER TO GOL MINISTERS OF FINANCE, JUSTICE, AND COMMERCE AT MEETING SCHEDULED THIS AFTERNOON (JAN. 26), STATING THAT GOL POLICY TOWARD LRC IS TANTAMOUNT TO ECONOMIC EXPROPRIATION. SUN OFFICIALS HOPE THAT THEY CAN MAKE ALLEGATION STICK FOR DOMESTIC TAX CONSIDERATIONS. THEY ARE SCHEDULED TO MEET PRESIDENT TOLBERT AFTER MINISTERIAL MEETING AND LEAVE MONROVIA FRIDAY, JAN. 28. END SUMMARY.

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2. SUN OFFICIALS GLAZIER, NAGEL AND GILLIS AND EPPARD OF LRC CALLED ON AMBASSADOR TO INFORM HIM SITUATION AT LRC IS EXTREMELY SERIOUS -- LRC IS BROKE. GLAZIER WARNED THAT SUN'S COMFORT LETTER HAD ENABLED LIBERIA TO IMPORT REFINED PETROLEUM PRODUCTS, BUT ON MONDAY (JAN, 24) SUN HAD WITHDRAWN COMFORT LETTER FROM CHEMICAL BANK. GLAZIER CLAIMED LRC WAS

LOSING MONEY ON UNDER-PRICED IMPORTED REFINED PRODUCTS AND ESTIMATED POTENTIAL LOSS SINCE FIRE AT \$750,000. EPPARD ADDED THAT COUNTRY NOW HAD ENOUGH PRODUCTS FOR SEVERAL WEEKS, BUT TO KEEP SUSTAINED FLOW OF IMPORTS ORDERS WOULD HAVE TO BE PLACED NOW FOR FUTURE DELIVERY. EPPARD ASKED ATE WHO IS GOING TO PROVIDE GUARANTY? FOR BONG MINING CO. AND LAMCO THERE WOULD BE NO PROBLEM SINCE THEY WOULD PROVIDE THEIR OWN GUARANTIES. UNQTE.

3. AMBASSADOR BRIEFED THEM ON HIS CONVERSATION WITH PRESIDENT TOLBERT AS REPORTED REFTEL A. AMBASSADOR INFORMED GROUP THAT HE HAD SENT BRIEF SUMMARY OF HIS REMARKS ABOUT LRC SITUATION TO PRESIDENT ON JAN. 25. AMBASSADOR THEN READ SUMMARY. AMBASSADOR EXPRESSED BELIEF THAT CLIMATE FOR DISCUSSION OF THIS MATTER SHOULD IMPROVE NOW THAT PRESIDENT HAD BEEN APPRISED. AMBASSADOR EMPHASIZED THAT EMBASSY WOULD NOT BECOME INVOLVED IN NEGOTIATIONS BUT WOULD MAINTAIN ATTITUDE OF INTERESTED NEUTRALITY.

4. GLAZIER REITERATED THAT LRC IS BANKRUPT AND GILLIS HAD LOOKED INTO LIBERIAN LAW ON BANKRUPTCY TO SEE WHAT LRC COULD EXPECT. IF BANKRUPTCY PROCEEDINGS CLOSED LRC TERMINAL TO RECEIVED IMPORTED PRODUCTS, LIBERIA WOULD BE FACED WITH GRAVE DIFFICULTIES.

5. GENERAL MANAGER OF LRC EPPARD CRITICIZED FINANCE MINISTER PHILLIPS, WHO SEEMS TO BE UNDER IMPRESSION THAT SUN WITH LOTS OF MONEY WOULD NEVER PERMIT LRC TO GO UNDER. AMBASSADOR ADDED THAT SINCE NEITHER PRESIDENT NOR PHILLIPS

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ARE ECONOMISTS, SUN NEEDS TO REMIND THEM IT IS IN GOL INTEREST TO KEEP LRC VIABLE. GLAZIER ADMITTED THAT SUN MAY HAVE FAILED TO IMPRESS GOL OFFICIALS ON ECONOMIC FACTS OF LIFE. GLAZIER SAID THAT SUN WOULD NOT APPROACH GOL IN A SPIRIT OF CONFRONTATION AND WILL OFFER TO OPERATE THE REFINERY UNTIL ITS SALE TO NEW OWNER.

6. GILLIS REMARKED GOL POLICY TOWARD LRC AMOUNTS TO ECONOMIC EXPROPRIATION AND THEY INTEND TO MAKE THAT ACCUSATION IN LETTER TO GOL. GILLIS MAINTAINED THAT UNDER THE NEW U.S. TAX REFORM LAW IT WOULD BE ADVANTAGEOUS FOR SUN TO MAKE THIS ALLEGATION STICK. AMBASSADOR EXPRESSED SERIOUS DOUBT AS TO WHETHER THIS COULD BE PROVED. EPPARD AND AMBASSADOR SPECULATED THAT THERE WOULD PROBABLY BE CONFLICT BETWEEN DENNIS AND PHILLIPS TO AVOID BEING THE FALL GUY FOR PRESENT CRISIS.

7. SUN OIL EXECUTIVES ARE SCHEDULED TO MEET WITH MINISTERS OF FINANCE, JUSTICE AND COMMERCE AT 2 P.M. AND THEN LATER WITH PRESIDENT TOLBERT AT 4:30 P.M. TODAY (JAN. 26).

THEY PLAN TO LEAVE ON FRIDAY, JAN. 28.

CARTER

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Message Attributes

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Disposition Action: RELEASED
Disposition Approved on Date:
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